

2G Energy AG

Germany / Cleantech
 Primary exchange: Frankfurt
 Bloomberg: 2GB GR
 ISIN: DE000A0HL8N9

Preliminary 2015
 figures

RATING
BUY

PRICE TARGET
€25.00

Return Potential 35.6%
 Risk Rating Medium

GROWING SALES AND INCREASED PROFITABILITY IN 2016

On 25 April, 2G Energy reported preliminary 2015 figures which were roughly in line with our forecasts. Sales amounted to €153m and EBIT was €4.8m, ahead of our estimate of €3.9m. The company is guiding towards 2016 revenues from €150 to €170m and an EBIT margin of 3-5%. We expect 2G to increase sales and improve profitability in 2016 and stick to our forecast which is at the upper end of guidance. We reiterate our Buy rating and price target of €25.00.

Strong Q4 results in high sales volume and solid EBIT Due to a seasonally strong Q4 (ca. 45% of annual sales) sales amounted to €153m (2014: €187m FBe: €160m). This is the third highest revenue figure in the history of the company. The previous year's figures were positively distorted by a temporary, regulatory-driven boom. EBIT amounted to €4.8m (2014: €11.5m, FBe: €3.9m) and was above our estimate.

Guidance for 2016 suggests growth For 2016, 2G anticipates both revenue and EBIT growth. The company is guiding towards revenues of €150-170m and an EBIT margin of 3-5%, which corresponds to an EBIT range from €4.5m to €8.5m.

Very high order backlog supporting growth story At the end of March, the order backlog was €86.9m, an increase of 77% on the previous year's figure of €49m. We see this high backlog as a very solid basis for the 2016 guidance. Due to pull forward effects regarding the CHP law amendment which came into effect at the beginning of 2016, 2G already had a high order backlog at the end of 2015 (€85.5m). This is also the reason why order intake in Q1 was weak (€13.3m vs. €18.7 in Q1/15).

Internationalisation progressing The share of foreign sales increased to 27% from 21% in the previous year. In absolute terms, foreign sales rose from...

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2012	2013	2014	2015E	2016E	2017E
Revenue (€m)	146.49	126.13	186.61	152.90	174.10	187.00
Y-o-y growth	-12.5%	-13.9%	47.9%	-18.1%	13.9%	7.4%
EBIT (€m)	16.55	2.88	11.52	4.80	8.32	13.81
EBIT margin	11.3%	2.3%	6.2%	3.1%	4.8%	7.4%
Net income (€m)	11.43	0.89	6.50	3.15	5.58	9.38
EPS (diluted) (€)	2.58	0.20	1.47	0.71	1.26	2.12
DPS (€)	0.00	0.00	0.37	0.37	0.37	0.37
FCF (€m)	-16.82	0.70	4.34	4.41	-1.93	4.52
Net gearing	-8.5%	-6.9%	-11.0%	-15.9%	-8.6%	-12.0%
Liquid assets (€m)	5.18	25.92	14.42	10.48	11.89	15.83

RISKS

The main risks include regulatory changes, internationalisation, increasing competition, high natural gas and low electricity prices, and low share liquidity.

COMPANY PROFILE

2G Energy AG is a leading producer of combined heat and power plants (CHP). The company offers a wide product range of plants with a capacity from 20 kW to 4 MW and addresses both the biogas and the natural gas market. 2G is headquartered in Heek, Germany, and has an additional production site in the US.

MARKET DATA

As of 28 Apr 2016

Closing Price	€ 18.44
Shares outstanding	4.43m
Market Capitalisation	€ 81.67m
52-week Range	€ 16.38 / 22.96
Avg. Volume (12 Months)	6,926

Multiples	2014	2015E	2016E
P/E	12.5	26.0	14.6
EV/Sales	0.4	0.5	0.4
EV/EBIT	6.7	15.4	9.3
Div. Yield	2.0%	2.0%	2.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2015

Liquid Assets	€ 10.82m
Current Assets	€ 78.65m
Intangible Assets	€ 5.40m
Total Assets	€ 92.62m
Current Liabilities	€ 39.38m
Shareholders' Equity	€ 47.45m

SHAREHOLDERS

Christian Grotholt	30.0%
Ludger Gausling	25.3%
Free Float	44.7%



...€39m to €41m, an increase of 5% y/y. The highest contribution again came from the UK at €13.3m, which was however below the previous year's figure of €14.9m. The US contributed €12.8m. The previous year's figure of €6.3m is not comparable as the US subsidiary was only consolidated for part of 2014. The foreign share of CHP system sales however reflects the true international strength of 2G much better. Here, the share was 35% versus 28% in 2014.

Natural gas share increasing The revenue share of natural gas-driven CHPs increased to 52.5% from 47.9%. This trend is strongly driven by Germany, where the natural gas share surged from 59.9% to 73.1%, reflecting strong demand from the natural gas segment. In foreign markets, biogas is still dominant with a share of 85.2% versus 83.2% in 2014.

Service business share increasing The revenue share of the Service segment has increased to 34% or €52m vs. 20% or €37.2m in 2014. In recent years, the service business has developed into an important pillar of 2G's business model. It also acts as a stabilising factor because revenues are largely recurrent and automatically increase as CHP plants are usually sold together with a service contract.

Newsflow The annual report will be published on 25 May and give further details on the development of segments and markets.

Forecasts unchanged The 2016 guidance has increased visibility. Given the very high order backlog we feel comfortable with our 2016 forecasts, which are at the upper end of guidance.

Buy rating and price target reiterated An updated DCF model still yields a price target of €25.00. We confirm our Buy rating.

Figure 1: Reported figures versus forecasts

All figures in €m	Q4/15A	Q4/15E	delta	Q4/14	delta	2015	2014	delta
Sales	68.60	75.70	-9.4%	74.41	-7.8%	152.90	186.61	-18.1%
EBIT	5.92	5.02	17.9%	5.44	8.7%	4.80	11.52	-58.3%
EBIT margin	8.6%	6.6%	-	7.3%	-	3.1%	6.2%	-

Source: First Berlin Equity Research, 2G Energy AG

Figure 2: Revisions to forecasts

All figures in €m	2015E			2016E			2017E		
	new	old	delta	new	old	delta	new	old	delta
Sales	152.90	160.00	-4.4%	174.10	174.10	0.0%	187.00	187.00	0.0%
EBIT	4.80	3.86	24.4%	8.32	8.32	0.0%	13.81	13.81	0.0%
EBIT margin	3.1%	2.4%	-	4.8%	4.8%	-	7.4%	7.4%	-
Net income	3.15	2.50	25.9%	5.58	5.58	0.0%	9.38	9.38	0.0%
Net margin	2.1%	1.6%	-	3.2%	3.2%	-	5.0%	5.0%	-
EPS diluted (€)	0.71	0.56	25.9%	1.26	1.26	0.0%	2.12	2.12	0.0%

Source: First Berlin Equity Research



VALUATION MODEL

€m	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Net sales	152.90	174.10	187.00	200.09	212.10	224.82	236.06	247.87
Growth yoy	-18%	14%	7%	7%	6%	6%	5%	5%
EBIT	4.80	8.32	13.81	15.01	15.91	16.86	17.70	18.59
EBIT margin	3.1%	4.8%	7.4%	7.5%	7.5%	7.5%	7.5%	7.5%
NOPLAT	3.31	5.74	9.53	10.35	10.98	11.63	12.22	12.83
+ depreciation & amortis. (excl. GW)	2.84	2.79	2.94	3.00	3.18	3.37	3.54	3.72
= net operating cash flow	6.15	8.53	12.48	13.36	14.16	15.01	15.76	16.55
- total investments (Capex and WC)	-1.58	-10.30	-7.80	-9.82	-6.18	-6.55	-6.35	-6.67
capital expenditure	-3.90	-4.00	-4.00	-3.00	-3.18	-3.37	-3.54	-3.72
working capital	2.32	-6.30	-3.80	-6.82	-3.00	-3.18	-2.81	-2.95
+/- others (incl. adj. on net int., provisions, etc)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
= Free cash flow (FCF)	4.58	-1.77	4.68	3.54	7.97	8.45	9.41	9.88
PV of FCF's	4.73	-1.66	3.97	2.72	5.56	5.34	5.39	5.13

€m	
PVs of FCFs explicit period (2015E-28E)	60.09
PVs of FCFs in terminal period	44.99
Enterprise Value (EV)	105.08
Net cash / (Net debt)	5.75
Shareholder value	110.83
No. of shares outstanding	4.43

Fair value per share (€)	25.00
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WACC	10.3%
Cost of equity	10.7%
Pre-tax cost of debt	4.0%
Normal tax rate	31.0%
After-tax cost of debt	2.8%
Share of equity	95.0%
Share of debt	5.0%
Terminal growth	2.0%
Terminal EBIT margin	7.0%

Sensitivity analysis

Fair value per share (€)

		Terminal EBIT margin						
		5.5%	6.0%	6.5%	7.0%	7.5%	8.0%	8.5%
WACC	13.3%	12.96	14.59	16.23	17.86	19.50	21.14	22.77
	12.3%	14.36	16.15	17.94	19.72	21.51	23.29	25.08
	11.3%	16.09	18.05	20.02	21.99	23.96	25.93	27.90
	10.3%	18.23	20.43	22.62	25.02	27.01	29.21	31.40
	9.3%	20.98	23.46	25.95	28.43	30.92	33.40	35.89
8.3%	24.61	27.48	30.34	33.21	36.07	38.94	41.80	
7.3%	29.62	33.01	36.40	39.79	43.19	46.58	49.97	

* for layout purposes the model shows numbers only to 2022, but runs until 2028



INCOME STATEMENT

All figures in €m	2012	2013	2014	2015E	2016E	2017E
Revenues	146.5	126.1	186.6	152.9	174.1	187.0
Total output	139.2	137.5	189.6	152.9	174.1	187.0
COGS	-91.1	-96.9	-134.0	-103.1	-118.4	-125.3
Gross profit	48.1	40.6	55.6	49.8	55.7	61.7
Personnel expenses	-17.0	-21.5	-25.5	-26.2	-26.5	-27.0
Other operating income	1.5	1.7	3.2	2.3	1.7	1.9
Other operating expenses	-14.2	-15.5	-19.1	-18.3	-19.8	-19.8
EBITDA	18.4	5.3	14.3	7.6	11.1	16.8
Depreciation and amortisation	-1.9	-2.4	-2.7	-2.8	-2.8	-2.9
Operating income (EBIT)	16.6	2.9	11.5	4.8	8.3	13.8
Net financial result	0.0	0.0	-0.5	-0.2	-0.2	-0.2
Income before taxes & minority interests	16.5	2.9	11.0	4.6	8.1	13.6
Income taxes	-5.2	-1.9	-4.1	-1.4	-2.5	-4.2
Minority interests	-0.1	0.1	0.4	0.0	0.0	0.0
Net income / loss	11.4	0.9	6.5	3.1	5.6	9.4
EPS in €	2.58	0.20	1.47	0.71	1.26	2.12
Diluted EPS in €	2.58	0.20	1.47	0.71	1.26	2.12
Ratios						
Gross margin	32.8%	32.2%	29.8%	32.6%	32.0%	33.0%
EBIT margin	11.3%	2.3%	6.2%	3.1%	4.8%	7.4%
EBITDA margin	12.6%	4.2%	7.6%	5.0%	6.4%	9.0%
Net income margin	7.8%	0.7%	3.5%	2.1%	3.2%	5.0%
Tax rate	31.3%	64.6%	37.5%	31.0%	31.0%	31.0%
Expenses as % of revenues						
Personnel expenses	11.6%	17.0%	13.6%	17.1%	15.2%	14.4%
Other operating expenses	9.7%	12.3%	10.2%	12.0%	11.4%	10.6%
Depreciation and amortisation	1.3%	1.9%	1.5%	1.9%	1.6%	1.6%
Y/Y growth						
Revenues	-12.5%	-13.9%	47.9%	-18.1%	13.9%	7.4%
Operating income	-14.9%	-82.6%	299.9%	-58.3%	73.2%	66.1%
Net income / loss	-13.6%	-92.2%	626.2%	-51.6%	77.3%	68.1%



BALANCE SHEET

All figures in €m	2012	2013	2014	2015E	2016E	2017E
Assets						
Current assets, total	73.9	66.7	69.9	78.5	83.0	90.7
Cash and cash equivalents	14.4	10.5	11.9	15.8	12.3	15.1
Trade accounts and notes receivables	23.3	23.1	22.0	27.2	31.0	33.3
Inventories	31.4	28.1	31.2	30.6	34.8	37.4
Other current assets	4.8	5.1	4.9	4.9	4.9	4.9
Non-current assets, total	20.8	21.9	22.7	23.7	24.9	25.9
Property, plant and equipment	14.6	15.8	16.9	18.2	19.6	20.8
Goodwill + intangible assets	5.9	5.6	5.4	5.1	4.9	4.7
Financial assets	0.4	0.5	0.4	0.4	0.4	0.4
Total assets	94.7	88.6	92.6	102.2	107.8	116.7
Shareholders' equity & debt						
Liabilities, total	46.9	41.5	40.5	48.6	50.3	51.4
Interest bearing debt	10.3	7.2	6.1	7.3	7.3	7.3
Trade accounts payable	10.8	7.5	5.6	12.6	14.3	15.4
Provisions	9.9	10.0	11.2	11.2	11.2	11.2
Other current liabilities	15.9	16.7	17.5	17.5	17.5	17.5
Shareholders equity, total	47.8	47.2	52.1	53.6	57.4	65.3
Share capital	4.4	4.4	4.4	4.4	4.4	4.4
Capital reserve	11.2	11.2	11.2	11.2	11.2	11.2
Losses carried forward / retained earnings	31.8	31.1	35.9	37.5	41.4	49.1
Other reserves	0.0	0.0	-0.3	-0.3	-0.4	-0.3
Minority interests	0.5	0.3	0.4	0.8	0.8	0.8
Total consolidated equity and debt	94.7	88.6	92.6	102.2	107.8	116.7
Ratios						
Current ratio (x)	2.3	2.5	2.7	2.4	2.4	2.6
Equity ratio (as %)	50.4%	53.2%	56.2%	52.4%	53.3%	55.9%
Net gearing (as %)	-8.5%	-6.9%	-11.0%	-15.9%	-8.6%	-12.0%
Equity per share (in €)	10.8	10.6	11.8	12.1	13.0	14.7
Net debt	-4.1	-3.2	-5.7	-8.5	-4.9	-7.8
Interest coverage ratio	195	9	34	20	36	63
Av. Working Capital/Sales	18.3%	27.4%	18.2%	22.4%	20.8%	22.1%
Return on Equity (ROE)	23.9%	1.9%	12.5%	5.9%	9.7%	14.4%
Return on capital employed (ROCE)	26.6%	4.4%	17.2%	6.8%	11.2%	17.3%
Days of inventory turnover	78	81	61	73	73	73
Days sales outstanding (DSO)	58	67	43	65	65	65
Days payables outstanding (DPO)	27	22	11	30	30	30



CASH FLOW STATEMENT

All figures in €m	2012	2013	2014	2015E	2016E	2017E
Net income	11.3	1.0	6.9	3.1	5.6	9.4
+ Depreciation and amortisation	1.9	2.4	2.7	2.8	2.8	2.9
- Investment in working capital	-17.3	0.7	-2.8	2.3	-6.3	-3.8
+/- Others (prov., non cash expenses, interest, etc.)	-4.8	0.0	1.4	0.0	0.0	0.0
Operating cash flow	-8.9	4.1	8.2	8.3	2.1	8.5
- CAPEX	-8.0	-3.4	-3.8	-3.9	-4.0	-4.0
Free cash flow	-16.8	0.7	4.3	4.4	-1.9	4.5
Other cash flow from investing	0.0	0.4	0.2	0.0	0.0	0.0
Investment cash flow	-8.0	-3.1	-3.7	-3.9	-4.0	-4.0
Financial cash flow	5.1	-4.7	-2.9	-0.5	-1.6	-1.6
Change in cash	-11.7	-3.6	1.6	3.9	-3.6	2.9
Exchange rate-related changes	0.0	0.0	-0.4	0.0	0.0	0.0
Cash, start of the year	25.3	13.7	10.1	11.4	15.3	12.2
Cash, end of the year	13.7	10.1	11.4	15.3	12.2	15.1
Free cash flow per share in €	-3.80	0.16	0.98	1.00	-0.44	1.02
Y/Y growth						
Operating cash flow	-	n.a.	98.0%	1.6%	-75.1%	312.0%
Free cash flow	-	n.a.	517.0%	1.5%	n.a.	n.a.
Financial cash flow	-	n.a.	-38.8%	-83.5%	247.9%	0.0%
Free cash flow per share	-	n.a.	517.0%	1.5%	n.a.	n.a.

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	26 November 2010	€13.30	Buy	€18.00
2...36	↓	↓	↓	↓
37	2 December 2015	€19.95	Buy	€25.00
38	12 February 2016	€18.10	Buy	€25.00
39	14 March 2016	€19.00	Buy	€25.00
40	Today	€18.44	Buy	€25.00

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BUY: An expected favourable price trend of more than 25% percent.

ADD: An expected favourable price trend of between 0% and 25%.

REDUCE: An expected negative price trend of between 0% and -15%.

SELL: An expected negative price trend of more than -15%.

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- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <http://firstberlin.com/disclaimer-english-link/>

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